Rt Hon Maria Miller MP
Secretary of State for Culture, Media and Sport & Minister for Women & Equalities
2-4 Cockspur Street
London
SW1Y 5DH

I am writing to inform you that the application stage of the 800MHz and 2.6GHz auction process has now been completed, and the following entities have submitted applications to Ofcom to bid in the auction:

- Everything Everywhere Limited (UK) (Company number 02382161)
- Telefónica UK Limited (Company number 1743099)
- Vodafone Limited (Company number 1471587)
- Hutchison 3G UK Limited (Company number 03885486)
- MLL Telecom Ltd (Company number 2657917)
- Niche Spectrum Ventures Limited (Company number 08100628) (an indirect subsidiary of BT Group plc)
- HKT (UK) Company Limited (Company number 8308593) (an indirect subsidiary of PCCW Limited)

We are now undertaking the qualification stage of the auction process, to consider those applications and determine whether the applicants should be qualified to bid in the auction. Only applicants who are qualified may proceed to bid. As part of this process we are determining whether we consider each of the applicants is fit to hold a wireless telegraphy licence under regulation 9 of the auction regulations.
We hope to complete this process and announce the identity of qualified bidders by 21 December 2012, although this will depend on the nature of the information which the applicants have provided to us. If we are not able to complete the process by this date, we have informed applicants that we will not announce the identity of qualified bidders before the first week in January.

The identity of the applicants is of course confidential, and market sensitive. As a result, Ofcom will not make public any information as to the identity of applicants until it is in a position to announce its decision as to who has been qualified to bid in the auction.

cc. John Zeff Esq - DCMS
20 February 2013

Rt Hon Maria Miller MP
Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

Dear Maria

I am pleased to tell you that the principal stage of the complex and challenging 4G mobile auction in the 800 MHz and 2.6 GHz bands has been successfully completed. Over 50 rounds of bidding have resulted in an efficient allocation of spectrum to five different companies.

This marks a major milestone for UK communications in terms of sustaining broadband competition, improving coverage and stimulating significant investment, growth and innovation.

With five winning bidders, the auction has achieved Ofcom’s purpose of promoting strong competition in the 4G mobile sector and will help the UK build on its position as among the most competitive mobile markets in Europe. By ensuring, through the auction design, the presence of at least four credible national wholesalers of 4G mobile services, consumers and businesses (including small businesses) will have greater choice and better services at lower prices. Spectrum that Ofcom reserved in the auction for a fourth national wholesaler was awarded to Hutchison 3G UK Ltd.

The auction is also excellent news for improved network coverage, including for many areas of the UK that are currently underserved in this respect. It has almost doubled the amount of spectrum currently available for mobile broadband services and will extend 4G coverage far beyond that of existing 3G services.

Ofcom estimates that the benefits that 4G services will provide to UK consumers over the next 10 years is likely to be at least £20bn. The technology itself is also likely to make a very significant contribution to the UK economy through new mobile revenues, employment opportunities and software development. While it is ultimately a commercial decision for operators to decide how they use the spectrum, some are likely to focus on business customers as well as personal users.

We have included an indoor coverage obligation with one of the 800 MHz lots of spectrum (won by Telefónica UK Ltd) so that at least 98% of the UK population and at least 95% of the population of each of England, Northern Ireland, Scotland and Wales will be able to receive 4G mobile services indoors by the end of 2017 at the latest. Because it is easier to provide coverage outdoors than indoors, a network meeting the 98% indoor coverage obligation is likely to cover more than 99% of the UK by population when outdoors. There will also be greater capacity to cope with significant demand in urban centres.
The breakdown of auction winners, lots and the minimum amount payable is as follows:

<table>
<thead>
<tr>
<th>Winning bidder</th>
<th>Spectrum won</th>
<th>Base price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everything Everywhere Ltd</td>
<td>2 x 5 MHz of 800 MHz and 2 x 35 MHz of 2.6 GHz</td>
<td>£588,876,000</td>
</tr>
<tr>
<td>Hutchison 3G UK Ltd</td>
<td>2 x 5 MHz of 800 MHz</td>
<td>£225,000,000</td>
</tr>
<tr>
<td>Niche Spectrum Ventures Ltd (BT)</td>
<td>2 x 15 MHz of 2.6 GHz and 1 x 20 MHz of 2.6 GHz (unpaired)</td>
<td>£186,476,000</td>
</tr>
<tr>
<td>Telefónica UK Ltd</td>
<td>2 x 10 MHz of 800 MHz (coverage obligation lot)</td>
<td>£550,000,000</td>
</tr>
<tr>
<td>Vodafone Ltd</td>
<td>2 x 10 MHz of 800 MHz, 2 x 20 MHz of 2.6 GHz and 1 x 25 MHz of 2.6 GHz (unpaired)</td>
<td>£790,761,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£2,341,113,000</strong></td>
</tr>
</tbody>
</table>

The following bidders were unsuccessful:

- MLL Telecom Ltd
- HKT (UK) Company Limited

While the main part of the auction has concluded, there is a final stage in the process to determine where in the 800 MHz and 2.6 GHz bands each winning bidder’s new spectrum will be located. Bidding in this final 'assignment stage' will take place shortly. I will of course provide you with a final update once this is completed.

As you are aware, Ofcom did not make any estimate of the likely proceeds from the auction, but we did set a combined reserve price for all lots of approximately £1.36bn. Bidders will pay a total of approximately £2.34bn for the spectrum and have until 23:59 on 21 February 2013 to pay any outstanding sums. Both proceeds and any interest earned following the assignment stage will be passed to HMG.

We plan to ensure consumers have the right information to make the best choice of provider in what will be a highly competitive market. People will want to know who is deploying services, in which areas and what speeds they are delivering. To help consumers, we will be conducting research before the end of this year to measure the broadband speeds that customers receive over the new 4G networks, broken down by operator.

Finally, by 2030, demand for mobile data could be 80 times higher than today. To help meet this demand and avert a possible ‘capacity crunch’, more mobile spectrum is needed over the long term. We are, therefore, planning now to support the release of further spectrum for possible future '5G' mobile services through the potential release of spectrum in the 700 MHz band.

I would like to thank you for your trust in what has been a very challenging undertaking.

Best wishes,

Ed Richards